



JERALD V. HALVORSEN
PRESIDENT

May 17, 2000

The Honorable Thomas J. Bliley
Chairman
Committee on Commerce
2125 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Chairman:

Thank you for the opportunity to comment further on H.R. 2944, the Electric Competition and Reliability Act. The Interstate Natural Gas Association of America (INGAA) supports federal legislation which would achieve a more vibrant and competitive wholesale electricity transmission industry. We want to achieve this goal by removing antiquated regulation that has little relevance in today's marketplace.

A number of the questions you pose fall outside the scope of the policy positions developed by our Board of Directors. I must therefore limit my comments to those areas where INGAA does have a stated position.

Question 1. INGAA believes that the Federal Energy Regulatory Commission should have exclusive jurisdiction over all electricity transmission, bundled or unbundled, in interstate commerce. This policy is consistent with the manner in which natural gas pipelines are regulated. By all accounts, the successful operation of our open-access, non-discriminatory interstate natural gas pipeline network provides a model for the electricity transmission grid. Having one set of rules governing these systems is not "big government;" on the contrary, one set of standards and one regulatory body to handle these interstate questions is far preferable to 50 different sets of regulations.

Question 2. INGAA supports the formation of voluntary RTOs, but we also support the establishment of privately owned, for-profit transcos as well. Compulsory membership in an RTO would probably not result in an effectively managed, or sufficiently capitalized, transmission system. Congress should give wide discretion in allowing businesses to establish transmission networks that meet the needs of the market. Natural gas pipelines once again provide a model for open-access, for-profit transmission companies. The FERC ensures that pipeline services are offered to all on a non-discriminatory basis. INGAA sees no reason why the same concept could not be applied to electricity transmission systems, subject to appropriate regulatory oversight.

Question 4. As it has been previously stated, Sections 3 and 107(b) of H.R. 2944 (as amended) represent both grandfather and grandchildren clauses, by grandfathering state actions three years beyond enactment of the legislation. Grandfathering existing state

legislative and regulatory actions, to the extent that they do not impede interstate commerce, is appropriate. The current provisions of H.R. 2944, however, appear to go beyond simple grandfather protection, giving states the potential ability to thwart federal action on several important national issues for three years into the future. This "balkanization" of the transmission grid, as Chairman Hoecker has described it, seems counterintuitive to the goal of establishing a seamless, nationwide open-access transmission system.

Question 5. As INGAA stated in its previous letter, we support an expedited merger review process, including the 180-day time limit in the current legislation. Six months is a sufficient and reasonable timeframe for the FERC to consider these mergers.

Question 7. The Wilson Amendment on interconnection for distributed generation is an important element of H.R. 2944. In 1995, the INGAA Foundation sponsored a study of distributed generation which estimated that 20 percent of all new installed generation between 1995 and the year 2020 would be on-site, distributed generation. These distributed generation units can help alleviate constraints on the transmission and distribution system, improve environmental compliance in non-attainment areas, and provide competition and lower costs for virtually all electricity customers. The ability to interconnect these facilities to the grid, however, is a key transition issue.

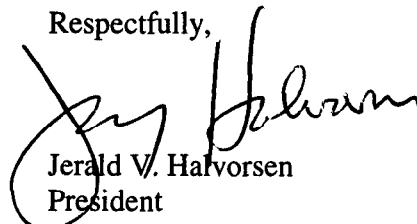
Interconnection is important for two reasons. First, a distributed power owner/operator will, from time to time, need to import power from the grid either because of equipment maintenance or because the on-site generator provides only a portion of that customer's power requirements. In addition, distributed power units can actually help the grid in times of peak demand, by placing excess power onto the transmission/distribution system. Having uniform technical standards for interconnection -- and having the opportunity to interconnect at rates, terms and conditions which are non-discriminatory -- is vital to achieving the aim at encouraging the greater deployment of distributed power.

Question 10. INGAA believes that electric restructuring legislation should focus on reorienting the regulatory environment for competition in electricity services. The Congress will soon begin debating a reauthorization of the Clean Air Act. That is the appropriate forum for addressing the environmental impact of electricity generation -- and doing so in a more comprehensive fashion.

Question 13. Reciprocity is an equitable, common sense mechanism for dealing with differences among the states over retail competition programs. INGAA supports a retail reciprocity provision in federal legislation.

Mr. Chairman, thank you once again for the opportunity to share our comments. Please let me know if you have any questions.

Respectfully,

A handwritten signature in black ink, appearing to read "Jerald V. Halvorsen", is written over a circular stamp.

Jerald V. Halvorsen
President